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FINANCIAL STATEMENTS
City of Nettleton, Mississippi

**For the year ended
September 30, 2003**

Franks, Franks & Jarrell, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Nettleton, Mississippi

We have audited the accompanying general purpose financial statements of the City of Nettleton, Mississippi as of September 30, 2003, and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Nettleton, Mississippi's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Nettleton, Mississippi as of September 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our examination, nothing came to our attention that caused us to believe that the municipality is not in compliance with the requirements of the State Department of Audit, as set forth in the Municipal Compliance Questionnaire.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of City of Nettleton, Mississippi, taken as a whole. The combining and individual fund financial statements and other supplemental information, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Nettleton, Mississippi. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2004, on our consideration of the City of Nettleton, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Franks, Franks & Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
January 28, 2004

CITY OF NETTLETON, MISSISSIPPI
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
September 30, 2003

	GOVERNMENTAL FUND TYPE		PROPRIETARY FUND TYPE		ACCOUNT GROUPS		TOTALS	
	GENERAL	CAPITAL PROJECTS	ENTERPRISE	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	(MEMORANDUM ONLY)	2003	2002
ASSETS:								
Cash on Deposit	\$ 271,008	\$ 3,956	\$ 270,899	\$	\$	\$ 545,863	418,139	995
Money Market, CD's	995					995	995	
Accounts Receivable, net of provision			42,426			42,426	44,198	
Other Receivables	6,447					6,447	6,950	
Due From Other Governments	21,340					21,340	21,268	
Property and Equipment - Net			2,504,733	937,721		3,442,454	3,253,047	
Of Accumulated Depreciation			54,309			54,309	0	
Bond Issue Costs, net of amortization								
Amount to be Provided for Retirement of General Long-Term Debt								
Total Assets	\$ 299,790	\$ 3,956	\$ 2,872,387	\$ 937,721	\$ 152,175	\$ 4,266,009	107,259	3,851,856
LIABILITIES:								
Accounts Payable & Accrued Expenses	\$ 18,347	\$	\$ 16,466	\$	\$	\$ 34,813	40,642	
Current Maturities of Long Term Debt			32,729			32,729	65,000	
Long Term Debt:								
General Obligation Bonds			832,379		104,893	937,272	720,000	
Notes Payable			136,371		21,935	158,306	68,570	
Capital Lease Payable					25,347	25,347	38,689	
Customer Deposits			26,284			26,284	21,765	
Accrued Compensated Absences	5,925		3,716			9,641	8,800	
Total Liabilities	24,272	0	1,047,945		152,175	1,224,392	963,466	
FUND EQUITY AND OTHER CREDITS:								
Contributed Capital			1,944,154			1,944,154	1,350,000	
Retained Earnings (Deficit)			(119,732)			(119,732)	(82,913)	
Investment in General Fixed Assets				937,721		937,721	1,384,496	
Fund Balances:								
Reserved For Capital Improvements		3,956				3,956	55,157	
Unreserved						275,518	181,650	
Total Fund Equity	275,518	3,956	1,824,422	937,721		3,041,617	2,888,390	
Total Liabilities and Fund Equity	\$ 299,790	\$ 3,956	\$ 2,872,387	\$ 937,721	\$ 152,175	\$ 4,266,009	3,851,856	

See Notes to Financial Statements.

CITY OF NETTLETON, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
Year Ended September 30, 2003

	GOVERNMENTAL FUND TYPES		TOTALS	
	GENERAL	CAPITAL PROJECTS	(MEMORANDUM ONLY)	
			2003	2002
REVENUE:				
Ad Valorem Taxes:				
Real & Personal	\$ 253,472	\$	\$ 253,472	\$ 254,902
Penalty and Interest	2,823		2,823	942
Licenses & Permits	37,985		37,985	44,815
State of Mississippi:				
Sales Tax	207,523		207,523	198,436
Municipal Aid	1,007		1,007	1,007
Gasoline Tax	5,843		5,843	6,495
Homestead Reimbursement	6,498		6,498	6,130
In Lieu - TVA	15,833		15,833	11,523
Fire Protection Allocation	8,733		8,733	8,230
Law Enforcement Assistance	695		695	3,000
Monroe County:				
Pro Rata Tax	9,880		9,880	18,517
Federal Grant Income		463,778	463,778	134,332
In Lieu - Other:				
Housing Authority	7,125		7,125	7,335
Fines & Forfeitures	41,824		41,824	37,714
Rentals	10,600		10,600	835
Interest	7,614		7,614	5,880
Sale of Land and Equipment	5,173		5,173	22,100
Sundry	15,645		15,645	19,910
Total Revenue	638,273	463,778	1,102,051	782,103
EXPENDITURES:				
Current:				
General Government	227,416		227,416	176,384
Public Safety	256,024		256,024	266,302
Public Works	108,695		108,695	138,501
Park & Recreational	0		0	1,000
Capital Improvements		527,019	527,019	203,507
Debt Service	124,452		124,452	41,991
Total Expenditures	\$ 716,587	\$ 527,019	\$ 1,243,606	\$ 827,685

CITY OF NETTLETON, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
Year Ended September 30, 2003

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTALS</u>	
	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>(MEMORANDUM ONLY)</u>	
			<u>2003</u>	<u>2002</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (78,314)	\$ (63,241)	\$ (141,555)	\$ (45,582)
OTHER FINANCING SOURCES (USES):				
Proceeds from Issuance of Debt or Capital Leases	157,782	12,040	169,822	140,691
Transfers (to) from Other Funds	<u>14,400</u>	<u></u>	<u>14,400</u>	<u>13,200</u>
Total Other Financing Sources (Uses)	<u>172,182</u>	<u>12,040</u>	<u>184,222</u>	<u>153,891</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	93,868	(51,201)	42,667	108,309
Fund Balances:				
October 1,	<u>181,650</u>	<u>55,157</u>	<u>236,807</u>	<u>128,498</u>
September 30,	\$ <u><u>275,518</u></u>	\$ <u><u>3,956</u></u>	\$ <u><u>279,474</u></u>	\$ <u><u>236,807</u></u>

See Notes to Financial Statements.

CITY OF NETTLETON, MISSISSIPPI
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES
 For Year Ended September 30, 2003

	GENERAL FUND			CAPITAL PROJECTS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE:						
Ad Valorem Taxes:						
Real & Personal	\$ 254,277	\$ 253,248	\$ (1,029)	\$	\$	\$
Penalties & Interest	0	2,823	2,823			
Licenses and Permits	47,500	38,488	(9,012)			
State of Mississippi:						
Sales Tax	198,800	207,875	8,875			
Municipal Aid	0	1,007	1,007			
Gasoline Tax	7,500	5,843	(1,657)			
Homestead Reimbursement	6,498	6,498	0			
In Lieu - TVA	11,600	15,833	4,233			
Fire Protection Allocation	8,230	8,733	503			
Law Enforcement Assistance	0	695	695			
Monroe County:						
Pro Rata Tax	11,300	9,880	(1,420)			
In Lieu - Other:						
TVR Housing Authority	7,125	7,125	0			
Federal Grants				870,825	463,778	(407,047)
Fines and Forfeitures	38,400	41,824	3,424			
Rentals	11,300	10,800	(700)			
Interest	5,500	7,614	2,114			
Sale of Land & Equipment	3,000	5,173	2,173			
Sundry	11,000	15,645	4,645			
Total Revenue	622,030	638,704	16,674	870,825	463,778	(407,047)

CITY OF NETTLETON, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES
For Year Ended September 30, 2003

	GENERAL FUND			CAPITAL PROJECTS		
	BUDGET	ACTUAL	VARIANCE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE (UNFAVORABLE)
EXPENDITURES:						
General Government	\$ 262,156	\$ 227,416	\$ 34,740	\$	\$	
Public Safety	279,386	256,024	23,362			
Public Works	125,800	108,895	17,105			
Park & Recreational	1,000	0	1,000	978,425	527,019	452,406
Capital Improvements						
Debt Service	0	124,452	(124,452)			
Total Expenditures	668,342	716,587	(48,245)	978,425	527,019	452,406
Excess (Deficiency) of Revenue Over (Under) Expenditures	(46,312)	(77,883)	(31,571)	(108,600)	(63,241)	45,359
OTHER FINANCING SOURCES (USES):						
Proceeds from Issuance of Debt or Capital Leases	24,909	157,782	132,873	108,600	12,040	(96,560)
Transfers (to) from Other Funds	34,400	14,400	(20,000)			
Total Other Financing Sources (Uses)	59,309	172,182	112,873	108,600	12,040	(96,560)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	12,997	94,299	81,302	0	(51,201)	(51,201)
Fund Balance:						
October 1,	181,650	181,650		55,157	55,157	
(Non-GAAP Budgetary Basis) September 30,	\$ 194,647	\$ 275,949	\$ 81,302	\$ 55,157	\$ 3,956	\$ (51,201)
Adjustments to (GAAP) Basis:						
Accrued Revenue		(431)				
Fund Balance GAAP September 30,	\$	\$ 275,518	\$	\$	\$ 3,956	\$

See Notes to Financial Statements.

CITY OF NETTLETON, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
Year Ended September 30, 2003

		TOTALS	
		(MEMO ONLY)	
		2003	2002
<u>OPERATING REVENUE:</u>			
Charges For Services	\$ 456,961	\$ 456,961	419,786
Total Operating Revenue	456,961	456,961	419,786
<u>OPERATING EXPENSES:</u>			
Operations	301,592	301,592	274,371
Maintenance	23,525	23,525	31,971
Depreciation	79,622	79,622	64,346
Total Operating Expenses	404,739	404,739	370,688
Net Operating Income	52,222	52,222	49,098
<u>NON-OPERATING INCOME (EXPENSES):</u>			
Interest Income	7,614	7,614	5,788
Transfers (to) from Other Funds	(14,400)	(14,400)	(13,200)
Interest Expense	(41,505)	(41,505)	(62,928)
Net Non-Operating Income	(48,291)	(48,291)	(70,340)
Net Income (Loss)	3,931	3,931	(21,242)
<u>RETAINED EARNINGS:</u>			
Retained Earnings - October 1, 2002 as Previously Stated	(82,913)	(82,913)	(61,671)
Prior Period Adjustment	(40,750)	(40,750)	0
Retained Earnings - October 1, 2002 as Restated	(123,663)	(123,663)	(61,671)
Retained Earnings - September 30, 2003	\$ (119,732)	\$ (119,732)	(82,913)

See Notes to Financial Statements.

CITY OF NETTLETON, MISSISSIPPI
COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
Year Ended September 30, 2003

		TOTALS (MEMO ONLY)	
		2003	2002
Cash Flows from Operating Activities:			
Net Income	\$ 3,931	\$ 3,931	\$ (21,242)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation & Amortization	79,622	79,622	64,346
Decrease in Accounts Receivable	1,772	1,772	(1,730)
Increase in Accounts Payable	2,503	2,503	6,450
Increase in Accrued Compensated Absences	1,649	1,649	96
Net Cash Provided by Operating Activities	<u>89,477</u>	<u>89,477</u>	<u>47,920</u>
Cash Flows from Noncapital Financing Activities:			
Receipt of Customer Deposits	4,519	4,519	2,650
Payments to Other Funds	<u>0</u>	<u>0</u>	<u>(14,671)</u>
Net Cash Provided by Noncapital Financing Activities	<u>4,519</u>	<u>4,519</u>	<u>(12,021)</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Debt Issuance	877,148	877,148	0
Principal Repayments	(785,000)	(785,000)	(36,110)
Payments related to Bond Issue Costs	(57,167)	(57,167)	0
Contributions of Capital - Federal Grant	592,110	592,110	0
Payments for Capital Acquisitions	<u>(627,321)</u>	<u>(627,321)</u>	<u>(1,700)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(230)</u>	<u>(230)</u>	<u>(37,810)</u>
Net Increase In Cash and Temporary Investments	93,766	93,766	(1,911)
Cash and Temporary Investments:			
Beginning of Year	<u>177,133</u>	<u>177,133</u>	<u>179,044</u>
End of Year	<u>\$ 270,899</u>	<u>\$ 270,899</u>	<u>\$ 177,133</u>
Cash Paid During the Year for:			
Interest	<u>\$ 41,505</u>	<u>\$ 41,505</u>	<u>\$ 62,928</u>

See Notes to Financial Statements.

**CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Nettleton, Mississippi operates under the Home-Rule authority granted by the 1985 Mississippi Legislature. A mayor-board of aldermen form of government is used and the City provides the following services: public safety (police and fire), street maintenance, sanitation, water and sewer services and general administrative services.

The City's annual financial report includes the accounts of all City operations. The accounting policies of the City of Nettleton, Mississippi conform to accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of such significant policies:

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Basis of Presentation

The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The transactions of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses/expenditures. Funds are ordered into three major categories: governmental, proprietary and fiduciary. The funds and account groups used by the City are shown on the following pages:

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Governmental Fund Types

Governmental Funds are those through which general governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the City's Governmental Fund types:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Project Funds - Capital Project Funds are used to account for the purchase or construction of major capital facilities. The revenues received in these funds are mainly grants or loan funds. Because of the restrictive nature of these funds, any balance in fund balance is not available for other discretionary expenditures. At the completion of a project, the capitalized cost is transferred to General Fixed Assets Account Group from the related capital projects fund.

Proprietary Fund Types

Proprietary Funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a Proprietary Fund's activities are included on its balance sheet. Proprietary Fund Equity is segregated into contributed capital and retained earnings. The following are the City's Proprietary Funds types:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the City is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or covered primarily through user charges; or (b) when the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Account Groups

General Fixed Assets Account Group - General Fixed Assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. The expenditures for infrastructure for the current fiscal year were \$0.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method.

General Long-Term Debt Account Group

The General Long-Term Account Group accounts for unmatured long-term notes and bonds payable which are paid through the Governmental Fund Types of the City.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the governmental fund types for payments to be made early in the following year.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types, pension trust funds and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budgets and Budgetary Accounting

The mayor and board of aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the City's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.

**CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

Cash and Investments

The collateral for the City's deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within thirty days after year end.

General Obligation Enterprise Bonds

The enterprise funds provide the annual debt service requirements on certain general obligation enterprise bonds (not secured by system revenues) issued to finance system improvements. Since the enterprise funds provide the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the Enterprise Funds and have been reported on the balance sheets of the Enterprise Funds.

Although the general obligation enterprise bonds are reported on the balance sheets of the Enterprise Funds, they are backed by the full faith and credit of the City and are therefore a contingent liability to the general government.

**CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Encumbrances

State law does not require that funds be available when goods or services are ordered, only when paid for. Due to this circumstance the City does not employ an encumbrance system.

Compensated Absences

The City's policy allows employees to accumulate unused sick leave up to 60 days. The City also allows employees to accumulate comp time. Upon termination, any accumulated comp time will be paid to the employee.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

Fund Reserves

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of all reserves used by the City:

Reserved for Capital Improvements - An account used to segregate a portion of fund balance for capital improvement resources restricted for the use to pay for capital improvements that the City has ongoing construction contracts.

Contributions of Capital

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Business Information

The City of Nettleton provides water and sewer services to customers located within the City limits of Nettleton, Mississippi as well as a limited number of customers outside the City limits. Credit is extended to all of these customers for services.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements.

Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - FIXED ASSETS

Expenditures for fixed assets are stated at cost. Depreciation is computed over the useful lives of the assets using the straight-line method of depreciation on proprietary funds.

A summary of proprietary fund equipment cost and accumulated depreciation is as follows:

Water and Sewer System (Including Buildings and Right-of-Way)	\$ 3,466,875
Trucks, Tractors, Tools, Fixtures, and Equipment	389,731
Land	<u>28,160</u>
Total	3,884,766
Less Accumulated Depreciation	<u>1,380,033</u>
Net	<u>\$ 2,504,733</u>

*Depreciation expense for the period was \$76,763

A summary of changes in general fixed assets follows:

	<u>Balance 10-1-02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9-30-03</u>
Land and Buildings	\$ 842,969	\$ 119,599	\$ 634,526	\$ 328,042
Equipment	<u>541,527</u>	<u>36,235</u>	<u>(31,917)</u>	<u>609,679</u>
Total	<u>\$ 1,384,496</u>	<u>\$ 155,834</u>	<u>\$ 602,609</u>	<u>\$ 937,721</u>

**CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003**

NOTE 3 – RECEIVABLES

Receivables at September 30, 2003, consisted primarily of taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

An allowance for doubtful accounts has been recorded at September 30, 2003 in the amount of \$6,381.

NOTE 4 - LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended September 30, 2003:

	<u>Notes & Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/1/02	\$ 977,901	\$ 38,689	\$ 1,016,590
Add: Bonds and Other Long-Term Debt Acquired	1,007,008	27,981	1,034,989
Less: Bonds and Other Long-Term Debt Retired	<u>856,603</u>	<u>41,322</u>	<u>897,925</u>
Bonds and Other Long-Term Debt at 9/30/03	<u>\$ 1,128,306</u>	<u>\$ 25,348</u>	<u>\$ 1,153,654</u>

Bonds and other long-term debt at September 30, 2003 are comprised of the following issues:

General Obligation Bonds:

\$970,000 Refunding Bonds due in annual installments of \$35,000 to \$70,000 through December 1, 2022; interest is variable (currently 2.0 percent) \$ 970,000

Notes Payable:

\$24,968 Note due in 60 monthly installments of \$470 through March 2008; interest at 4.90 percent \$ 21,935

\$136,371 Note due in over a 20 year term through February 2024; interest at 3.00 percent 136,371

\$ 158,306

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 4 - LONG-TERM DEBT - Continued

Capital Leases Payable:

\$27,981 Capital Lease Payable due in 60 monthly installments of \$585 through February 2008; interest at 10.0 percent

\$ 25,348

\$ 25,348

There are a number of limitations and restrictions contained in the bond indentures. The City is in compliance with all significant limitations and restrictions.

The Annual requirements to amortize all debt outstanding as of September 30, 2003 including interest payments of \$1,726,272 are as follows:

Year Ending September 30	General Long Term Debt Account Group		Proprietary Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 13,213	\$ 7,808	\$ 32,729	\$ 40,284	\$ 45,942	\$ 48,092
2005	13,938	6,999	36,345	39,819	50,283	46,818
2006	14,727	6,114	36,503	38,882	51,230	44,996
2007	15,585	5,147	36,666	37,831	52,251	42,978
2008	9,619	4,212	41,284	36,609	50,903	40,821
2009 and thereafter	<u>85,093</u>	<u>35,269</u>	<u>817,952</u>	<u>313,644</u>	<u>903,045</u>	<u>348,913</u>
	<u>\$ 152,175</u>	<u>\$ 65,549</u>	<u>\$ 1,001,479</u>	<u>\$ 507,069</u>	<u>\$ 1,153,654</u>	<u>\$ 572,618</u>

NOTE 5 - LITIGATION

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.

**CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003**

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description - The City of Nettleton contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800 444 PERS.

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary and the City of Nettleton is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Nettleton's contributions to PERS for the years ending September 30, 2003 was \$12,520 equal to the required contributions for the year.

NOTE 7 - FUND BALANCE RECONCILIATION - GENERAL FUND BUDGET BASIS

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year accrued revenues were \$431 less than cash revenues.

NOTE 8 - SUBSEQUENT EVENTS

Subsequent to year end, the City has entered negotiations to sell certain property owned by the City to a local industry for approximately \$50,000.

NOTE 9 - REFUNDING BONDS

The City refunded a bond issues and several notes and leases during the current fiscal year. On December 1, 2002, the City issued \$970,000 of General Obligation Refunding Bonds, Series 2002 with interest rates ranging between 2.00% and 5.25%. The City issued the bonds to advance refund \$785,000 of the outstanding \$785,000 G.O. Refunding Bonds, Series 1997. As a result, the bonds are considered defeased, and the City has removed the liability from its accounts.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

NOTE 10 – PRIOR PERIOD ADJUSTMENT

Certain errors resulting in an overstatement of fixed assets for a prior period were discovered during the current year. Accordingly, an adjustment of \$40,750 was made during 2003 to adjust for the overstatement of fixed assets in the proprietary fund. A corresponding entry was made to reduce previously reported retained earnings by \$40,750 in the proprietary fund. Also, the General Fixed Asset Account Group was adjusted for an overstatement of fixed assets in the amount of \$602,609. A corresponding entry was made to reduce the investment in general fixed assets.

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

**CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE BALANCE SHEET - GENERAL FUND
September 30, 2003 and 2002**

	2003	2002
<u>ASSETS:</u>		
Cash	\$ 271,008	\$ 185,849
Investments	995	995
Due From Other Governments	21,340	21,268
Other Receivables	<u>6,447</u>	<u>6,950</u>
Total Assets	\$ <u>299,790</u>	\$ <u>215,062</u>
<u>LIABILITIES:</u>		
Accounts Payable & Accrued Expenses	\$ 18,347	\$ 26,679
Accrued Compensated Absences	<u>5,925</u>	<u>6,733</u>
Total Liabilities	<u>24,272</u>	<u>33,412</u>
<u>FUND BALANCE:</u>		
Unreserved	<u>275,518</u>	<u>181,650</u>
Total Fund Balance	<u>275,518</u>	<u>181,650</u>
Total Liabilities and Fund Balance	\$ <u>299,790</u>	\$ <u>215,062</u>

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE -GENERAL FUND
Year Ended September 30, 2003 and 2002

	TOTALS	TOTALS
	2003	2002
REVENUES:		
Ad Valorem Taxes:		
Real & Personal	\$ 253,472	\$ 254,902
Penalties and Interest	2,823	942
Licenses and Permits	37,985	44,815
State of Mississippi:		
Sales Tax	207,523	198,436
Municipal Aid	1,007	1,007
Gasoline Tax	5,843	6,495
Homestead Reimbursement	6,498	6,130
In Lieu - TVA	15,833	11,523
Fire Protection Allocation	8,733	8,230
Law Enforcement Assistance	695	3,000
Monroe County:		
Pro Rata Tax	9,880	18,517
In Lieu - Other:		
Housing Authority	7,125	7,335
Fines and Forfeitures	41,824	37,714
Rentals	10,600	835
Interest	7,614	5,880
Sale of Land & Equipment	5,173	22,100
Sundry	15,645	19,910
Total Revenues	\$ <u>638,273</u>	\$ <u>647,771</u>
EXPENDITURES:		
General Government:		
Personal Services	\$ 95,712	\$ 86,706
Supplies	8,631	5,589
Other Services and Charges	71,389	63,230
Capital Outlay	51,684	20,859
Total General Government	\$ <u>227,416</u>	\$ <u>176,384</u>

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE -GENERAL FUND
Year Ended September 30, 2003 and 2002

	<u>TOTALS</u>	<u>TOTALS</u>
	2003	2002
Public Safety:		
Police Department:		
Personal Services	\$ 159,146	\$ 189,456
Supplies	28,667	27,747
Other Services and Charges	11,890	18,090
Capital Outlay	24,844	0
Total	<u>224,547</u>	<u>235,293</u>
Fire Department:		
Personal Services	491	478
Supplies	8,284	8,139
Other Services and Charges	18,396	14,535
Capital Outlay	4,306	7,857
Total	<u>31,477</u>	<u>31,009</u>
Total Public Safety	<u>256,024</u>	<u>266,302</u>
Public Works:		
Street Department:		
Personal Services	59,911	57,500
Supplies	10,430	13,589
Other Services and Charges	30,563	29,510
Capital Outlay	0	33,934
Total	<u>100,904</u>	<u>134,533</u>
Animal Control:		
Other Services and Charges	7,791	3,968
Total	<u>7,791</u>	<u>3,968</u>
Total Public Works	<u>108,695</u>	<u>138,501</u>
Park and Recreational:		
Other Services and Charges	0	1,000
Total Park & Recreational	<u>0</u>	<u>1,000</u>

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE -GENERAL FUND
Year Ended September 30, 2003 and 2002

	<u>TOTALS</u>	<u>TOTALS</u>
	2003	2002
Debt Service:		
Principal Retired	\$ 111,241	\$ 33,804
Interest Expense	<u>13,211</u>	<u>8,187</u>
Total Debt Service	<u>124,452</u>	<u>41,991</u>
Total Expenditures	<u>716,587</u>	<u>624,178</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(78,314)</u>	<u>23,593</u>
Other Financing Sources (Uses):		
Proceeds from Issuance of Debt or Leases	157,782	16,359
Transfers (to) from Other Funds	<u>14,400</u>	<u>13,200</u>
Total Other Financing Sources (Uses)	<u>172,182</u>	<u>29,559</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	93,868	53,152
Fund Balance:		
October 1,	<u>181,650</u>	<u>128,498</u>
September 30,	\$ <u><u>275,518</u></u>	\$ <u><u>181,650</u></u>

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended September 30, 2003

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Ad Valorem Taxes:			
Real & Personal	\$ 254,277	\$ 253,248	\$ (1,029)
Penalties and Interest	0	2,823	2,823
Licenses and Permits	47,500	38,488	(9,012)
State of Mississippi:			
Sales Tax	198,800	207,675	8,875
Municipal Aid	0	1,007	1,007
Gasoline Tax	7,500	5,843	(1,657)
Homestead Reimbursement	6,498	6,498	0
In Lieu - TVA	11,600	15,833	4,233
Fire Protection Allocation	8,230	8,733	503
Law Enforcement Assistance	0	695	695
Monroe County:			
Pro Rate Tax	11,300	9,880	(1,420)
In Lieu - Other:			
Housing Authority	7,125	7,125	0
Fines and Forfeitures	38,400	41,824	3,424
Rentals	11,300	10,600	(700)
Interest	5,500	7,614	2,114
Sale of Land & Equipment	3,000	5,173	2,173
Sundry	11,000	15,645	4,645
Total Receipts	\$ 622,030	\$ 638,704	\$ 16,674
EXPENDITURES:			
General Government:			
Personal Services	99,556	95,712	3,844
Supplies	10,700	8,631	2,069
Other Services and Charges	82,000	71,389	10,611
Capital Outlay	69,900	51,684	18,216
Total	262,156	227,416	34,740
Public Safety:			
Police Department:			
Personal Services	173,196	159,146	14,050
Supplies	30,600	28,667	1,933
Other Services and Charges	16,250	11,890	4,360
Capital Outlay	22,000	24,844	(2,844)
Total	242,046	224,547	17,499

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended September 30, 2003

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Fire Department:			
Personal Services	\$ 1,040	\$ 491	\$ 549
Supplies	8,600	8,284	316
Other Services and Charges	19,050	18,396	654
Capital Outlay	8,650	4,306	4,344
Total	37,340	31,477	5,863
Total Public Safety	279,386	256,024	23,362
Public Works:			
Street Department:			
Personal Services	65,200	59,911	5,289
Supplies	13,300	10,430	2,870
Other Services and Charges	34,100	30,563	3,537
Capital Outlay	5,000	0	5,000
Total	117,600	100,904	16,696
Animal Control:			
Other Services and Charges	8,200	7,791	409
Total	8,200	7,791	409
Total Public Works	125,800	108,695	17,105
Park and Recreational:			
Other Services and Charges	1,000	0	1,000
Total Park & Recreational	1,000	0	1,000
Debt Service:			
Principal Retired	0	111,241	(111,241)
Interest Expense	0	13,211	(13,211)
Total Debt Service	0	124,452	(124,452)
Total Expenditures	668,342	716,587	(48,245)

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended September 30, 2003

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(46,312)</u>	<u>(77,883)</u>	<u>(31,571)</u>
Other Financing Sources (Uses);			
Proceeds from Issuance of Debt or Leases	24,909	157,782	132,873
Transfers (to) From Other Funds	<u>34,400</u>	<u>14,400</u>	<u>(20,000)</u>
Total Other Financing Sources (Uses)	<u>59,309</u>	<u>172,182</u>	<u>112,873</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	12,997	94,299	81,302
Fund Balance:			
October 1,	<u>181,650</u>	<u>181,650</u>	<u>0</u>
(Non-GAAP Budgetary Basis) September 30,	<u>\$ 194,647</u>	275,949	<u>\$ 81,302</u>
Adjustments to GAAP Basis:			
Accrued Revenue		<u>(431)</u>	
Fund Balance (GAAP) September 30,		<u>\$ 275,518</u>	

**CITY OF NETTLETON, MISSISSIPPI
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
September 30, 2003**

			TOTALS	
	Water	Sewer	Memo Only	
	Improvements	Improvements	2003	2002
<u>ASSETS:</u>				
Cash on Deposit	\$ 0	\$ 3,956	\$ 3,956	\$ 55,157
Total Assets	\$ 0	\$ 3,956	\$ 3,956	\$ 55,157
<u>LIABILITIES AND FUND BALANCES:</u>				
Fund Balances:				
Reserved For Capital Improvements	\$ 0	\$ 3,956	\$ 3,956	\$ 55,157
Total Liabilities and Fund Balances	\$ 0	\$ 3,956	\$ 3,956	\$ 55,157

CITY OF NETTLETON, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
CAPITAL PROJECT FUNDS
Year Ended September 30, 2003

	Water Improvements	Sewer Improvements	TOTALS Memo Only	
			2003	2002
<u>REVENUE:</u>				
Grant Income	\$ 457,778	\$ 6,000	\$ 463,778	134,332
Total Revenue	457,778	6,000	463,778	134,332
<u>EXPENDITURES:</u>				
Capital Improvements	512,935	14,084	527,019	203,507
Total Expenditures	512,935	14,084	527,019	203,507
Excess (Deficiency) of Revenue Over (Under) Expenditures	(55,157)	(8,084)	(63,241)	(69,175)
<u>OTHER FINANCING SOURCES:</u>				
CAP Loan Proceeds	0	12,040	12,040	124,332
Total Other Financing Sources (Uses)	0	12,040	12,040	124,332
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures	(55,157)	3,956	(51,201)	55,157
Fund Balance - October 1,	55,157	0	55,157	0
Fund Balance - September 30,	\$ 0	\$ 3,956	\$ 3,956	55,157

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended September 30, 2003

	F.Y.E. 9/30/03		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Grant Income	870,825	463,778	(407,047)
TOTAL REVENUES	<u>870,825</u>	<u>463,778</u>	<u>(407,047)</u>
EXPENDITURES:			
Capital Improvements	979,425	527,019	452,406
TOTAL EXPENDITURES	<u>979,425</u>	<u>527,019</u>	<u>452,406</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(108,600)	(63,241)	45,359
OTHER FINANCING SOURCES (USES):			
CAP Loan Proceeds	108,600	12,040	(96,560)
TOTAL OTHER FINANCING SOURCES (USES)	108,600	12,040	(96,560)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	0	(51,201)	(51,201)
FUND BALANCE (NON-GAAP BUDGETARY BASIS) -			
Beginning of Year	<u>55,157</u>	<u>55,157</u>	<u>0</u>
FUND BALANCE (NON-GAAP BUDGETARY BASIS) -			
End of Year	<u>\$ 55,157</u>	<u>\$ 3,956</u>	<u>\$ (51,201)</u>
Adjustments to Generally Accepted Accounting Principles:			
Revenue Accruals		<u>0</u>	
FUND BALANCE (GAAP BASIS) -			
End of Year		<u>\$ 3,956</u>	

**CITY OF NETTLETON, MISSISSIPPI
COMBINING BALANCE SHEET
PROPRIETARY FUND TYPES
September 30, 2003**

	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTALS	
			2003	2002
ASSETS:				
Current:				
Cash	\$ 15,443	\$ 255,456	\$ 270,899	\$ 177,133
Accounts Receivables, Net of Provision for Bad Debts	3,630	38,796	42,426	44,198
Total Current Assets	19,073	294,252	313,325	221,331
Fixed:				
Land		28,160	28,160	28,160
Water & Sewer System		3,466,875	3,466,875	2,574,445
Machinery & Equipment	21,802	367,929	389,731	387,301
Accumulated Depreciation	(3,922)	(1,376,111)	(1,380,033)	(1,121,355)
Net Fixed Assets	17,880	2,486,853	2,504,733	1,868,551
Other:				
Bond Issue Cost, Net of Accum. Amortization of \$2,858		54,309	54,309	-
Total Other Assets		54,309	54,309	-
Total Assets	\$ 36,953	\$ 2,835,414	\$ 2,872,367	\$ 2,089,882
LIABILITIES AND FUND EQUITY:				
Current Liabilities:				
Current Maturities of Long-term Debt	\$	\$ 32,729	\$ 32,729	\$ 65,000
Account Payable & Accrued Expenses	8,251	8,215	16,466	13,963
Customer Deposits		26,284	26,284	21,765
Total Current Liabilities	8,251	67,228	75,479	100,728
Long-Term Liabilities:				
Long-Term Debt, Less Current Maturities		968,750	968,750	720,000
Total Long-Term Liabilities		968,750	968,750	720,000
Other Liabilities:				
Accrued Compensated Absences Due to Other Funds		3,716	3,716	2,067
Total Other Liabilities		3,716	3,716	2,067
Fund Equity:				
Contributed Capital		1,944,154	1,944,154	1,350,000
Retained Earnings (Deficit)	28,702	(148,434)	(119,732)	(82,913)
Total Fund Equity	28,702	1,795,720	1,824,422	1,267,087
Total Liabilities and Fund Equity	\$ 36,953	\$ 2,835,414	\$ 2,872,367	\$ 2,089,882

CITY OF NETTLETON, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPES
Year Ended September 30, 2003

	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTALS 2003
<u>OPERATING REVENUE:</u>			
Charges For Services	\$ 110,265	\$ 346,696	\$ 456,961
Total Operating Revenue	110,265	346,696	456,961
<u>OPERATING EXPENSES:</u>			
Operations	87,909	213,683	301,592
Maintenance	0	23,525	23,525
Depreciation and Amortization	3,922	75,700	79,622
Total Operating Expenses	91,831	312,908	404,739
Net Operating Income (Loss)	18,434	33,788	52,222
<u>NON-OPERATING INCOME (EXPENSES):</u>			
Interest Income		7,614	7,614
Transfers (to) from Other Funds	(14,400)		(14,400)
Interest Expense		(41,505)	(41,505)
Net Non-Operating Income	(14,400)	(33,891)	(48,291)
Net Income (Loss)	4,034	(103)	3,931
<u>RETAINED EARNINGS:</u>			
Retained Earnings - October 1, 2002 as Previously Stated	24,668	(107,581)	(82,913)
Prior Period Adjustment		(40,750)	(40,750)
Retained Earnings - October 1, 2002 as Restated	24,668	(148,331)	(123,663)
Retained Earnings - September 30, 2003	\$ 28,702	\$ (148,434)	\$ (119,732)

CITY OF NETTLETON, MISSISSIPPI
COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
Year Ended September 30, 2003

	SOLID WATE MANAGEMENT FUND	WATER & SEWER FUND	TOTALS 2003
Cash Flows from Operating Activities:			
Net Income (Loss)	\$ 4,034	\$ (103)	\$ 3,931
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation & Amortization	3,922	75,700	79,622
(Increase) Decrease in Accounts Receivable	4,777	(3,005)	1,772
Increase (Decrease) in Accounts Payable	587	1,916	2,503
Increase (Decrease) in Accrued Compensated Absences		1,649	1,649
Net Cash Provided by Operating Activities	<u>13,320</u>	<u>76,157</u>	<u>89,477</u>
Cash Flows from Noncapital Financing Activities:			
Receipt (Refund) of Customer Deposits		4,519	4,519
Payments Due (From) To Other Funds		<u>0</u>	<u>0</u>
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>0</u>	<u>4,519</u>	<u>4,519</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Debt Issuance		877,148	877,148
Principal Repayments		(785,000)	(785,000)
Payments related to Bond Issue Costs		(57,167)	(57,167)
Contributions of Capital - Federal Grant		592,110	592,110
Payments for Capital Acquisitions	<u>(21,802)</u>	<u>(605,519)</u>	<u>(627,321)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(21,802)</u>	<u>21,572</u>	<u>(230)</u>
Net Increase (Decrease) In Cash and Temporary Investments	(8,482)	102,248	93,766
Cash and Temporary Investments:			
Beginning of Year	<u>23,925</u>	<u>153,208</u>	<u>177,133</u>
End of Year	\$ <u>15,443</u>	\$ <u>255,456</u>	\$ <u>270,899</u>
Cash Paid During the Year for:			
Interest	\$ <u> </u>	\$ <u>41,505</u>	\$ <u>41,505</u>

OTHER SUPPLEMENTAL INFORMATION

CITY OF NETTLETON, MISSISSIPPI
RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
For the Fiscal Year Ended September 30, 2003

	MUNICIPAL	TOTAL
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ASSESSED VALUATION AND MILLAGE:

Realty	\$ 5,327,035	
Personal & Public Utility	1,220,953	
Personal Auto	1,887,353	
Less: Exemption for over 65	<u>993,148</u>	
Total Municipal at 34.00 Mills	\$ <u>7,442,193</u>	\$ 253,035

COLLECTION ADJUSTMENTS:

Add: Municipal Homestead Reimbursement	6,498
Prior Year Tax Collections	12,645
Heavy Truck Tags	8,407
Less: Delinquent Taxes	(12,930)
Changes in Assessed Valuation	(3,978)
Collection Costs by County	<u>(3,209)</u>
TOTAL TO BE ACCOUNTED FOR	\$ <u>260,468</u>

		<u>TAXES</u>	<u>HOMESTEAD</u>	
<u>COLLECTION CREDITS TO FUNDS:</u>				
Municipal General Fund	\$	253,472	\$ 6,498	
Total	\$	<u>253,472</u>	<u>\$ 6,498</u>	<u>\$ 259,970</u>

Balance Represented By:		
Unaccounted For - Undersettled	\$	<u>498</u>
TOTAL ACCOUNTED FOR	\$	<u>260,468</u>

**CITY OF NETTLETON, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
September 30, 2003**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
William M. Tapscott	City Clerk	U.S. Fidelity & Guaranty Company	\$50,000
Dana F. Grubbs	Assistant Clerk	U.S. Fidelity & Guaranty Company	\$50,000
Annie Inmon	Assistant Clerk	U.S. Fidelity & Guaranty Company	\$10,000
Paul L. Young	Chief of Police	U.S. Fidelity & Guaranty Company	\$50,000
Thomas W. Adams	Chief of Police	U.S. Fidelity & Guaranty Company	\$50,000
Brandon Presley	Mayor	U.S. Fidelity & Guaranty Company	\$50,000
Charles Morris	Alderman	U.S. Fidelity & Guaranty Company	\$25,000
Jimmy Moore	Alderman	U.S. Fidelity & Guaranty Company	\$25,000
Tommy Clay	Alderman	U.S. Fidelity & Guaranty Company	\$25,000
Kirk Lindsey	Alderman	U.S. Fidelity & Guaranty Company	\$25,000
Jimmy Rye	Alderman	U.S. Fidelity & Guaranty Company	\$25,000

**CITY OF NETTLETON, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the year ended September 30, 2003**

<u>DEFINITION AND PURPOSE</u>	<u>BALANCE OUTSTANDING OCTOBER 1, 2002</u>	<u>TRANSACTIONS DURING THE FISCAL YEAR BORROWED</u>	<u>TRANSACTIONS DURING THE FISCAL YEAR REDEEMED</u>	<u>BALANCE OUTSTANDING SEPTEMBER 30, 2003</u>
Notes Payable:				
Bancorpsouth	\$ 62,004	\$ 0	\$ 62,004	\$ 0
Bancorpsouth	6,566	0	6,566	0
Bancorpsouth	0	24,968	3,033	21,935
CAP Loan	0	136,371	0	136,371
First Continental Leasing	20,789	0	20,789	0
First Continental Leasing	6,077	0	6,077	0
BBI Lease Payable	7,440	0	7,440	0
Weatherall's Lease Payable	1,458	0	1,458	0
BBI Lease Payable	2,925	0	2,925	0
BBI Lease Payable	<u>0</u>	<u>27,981</u>	<u>2,633</u>	<u>25,348</u>
TOTAL	\$ <u>107,259</u>	\$ <u>189,320</u>	\$ <u>112,925</u>	\$ <u>183,654</u>
Bonds Payable:				
G/O Refunding, Series 1997	\$ 785,000	\$ 0	\$ 785,000	\$ 0
Series 2002, Refunding Bonds	<u>0</u>	<u>970,000</u>	<u>0</u>	<u>970,000</u>
TOTAL	\$ <u>785,000</u>	\$ <u>970,000</u>	\$ <u>785,000</u>	\$ <u>970,000</u>

OTHER REPORTS



**FRANKS,
FRANKS &
JARRELL, P.A.**

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AICPA, MSCPA & PCPS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Board of Aldermen
City of Nettleton, Mississippi

We have audited the general purpose financial statements of the City of Nettleton, Mississippi as of and for the year ended September 30, 2003, and have issued our report thereon dated January 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Nettleton, Mississippi's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Nettleton, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, Mayor, Board of Alderman, Office of the State Auditor of the State of Mississippi, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Franks, Franks & Jarrell, P.A.

Franks, Franks & Jarrell, P.A.
January 28, 2004



**FRANKS,
FRANKS &
JARRELL, P.A.**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Board of Aldermen
City of Nettleton, Mississippi

Compliance

We have audited the compliance of the City of Nettleton, Mississippi with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. The City of Nettleton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Nettleton, Mississippi's management. Our responsibility is to express an opinion on the City of Nettleton, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Nettleton, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Nettleton, Mississippi's compliance with those requirements.

In our opinion, the City of Nettleton, Mississippi complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

The management of the City of Nettleton, Mississippi is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Nettleton, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, Mayor, Board of Alderman, Office of the State Auditor of the State of Mississippi, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Franks, Franks & Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
January 28, 2004

**CITY OF NETTLETON, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2003**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified
Internal control over financial reporting:
 Material weakness identified? Yes X No
 Reportable condition identified
 not considered to be material weaknesses? Yes X None reported
Noncompliance material to financial statements
 noted? Yes X No

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? Yes X No
 Reportable condition(s) identified
 not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance
 for major programs: unqualified
Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.228</u>	<u>Community Development Block Grant</u>

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 300,000
Auditee qualified as low-risk auditee? Yes X No

CITY OF NETTLETON, MISSISSIPPI
SCHEDULE OF FEDERAL AWARD PROGRAMS
September 30, 2003

GRANTOR	FEDERAL CFDA NUMBER	CASH/ ACCRUED OR (DEFERRED) REVENUE AT 10/01/02	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ ACCRUED OR (DEFERRED) REVENUE AT 9/30/03
Major Federal Award Programs:					
Department of Housing and Urban Development					
Community Development Block Grant	14.228	\$ 55,157	\$ 463,778	\$ 518,935	\$ 0